

Hong Kong

Gateway to China, and a Vibrant Market on its Own

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Hong Kong, one of the so-called Asian tigers of the 1990s, may have lost a step or two during the current slowdown, but no snaggled-toothed feline is this.

As one of the world's most open and dynamic economies, Hong Kong boasts the second-highest per capita income in Asia (at just over \$23,000). The keys to Hong Kong's economic success lie in its liberal market philosophy, market transparency, free flow of information, and strong legal system. Hong Kong is a "free port," with virtually no duties or tariffs, allowing U.S. businesses to easily reach its 6.8 million consumers. U.S. exports to Hong Kong totaled \$14.1 billion in 2001. Hong Kong is the world's largest transshipment center and is positioned to play an important role for U.S. businesses wishing to expand their exports to the biggest tiger of them all—China.

"For small and medium-sized companies, Hong Kong is the best route into China, providing effective and familiar business laws and practices," says Barry Friedman, senior commercial officer of the U.S. Commercial Service in Hong Kong. The main advantages to using Hong Kong to enter China include well-developed infrastructure,

FACTS AND FIGURES

Total area: 1,099 square km (six times the size of Washington, D.C.)

Population: 6.8 million (2002)

GDP: \$176.1 billion (2001)

GDP Growth: 1.5% (2002)

Inflation: -3.0% (2002)

GDP by sector: services 85.6%, industry 14.3%, agriculture 0.1%

Currency: Hong Kong dollar

Exports: clothing, textiles, electrical machinery, jewelry

Imports: consumer goods, capital goods, machinery, raw materials, foodstuffs

Sources: U.S. Department of Commerce, CIA, EIU.

strong communication networks, and excellent rail and road links to the booming southern provinces. In addition, explains Friedman, "Hong Kong has an English-speaking, Western-oriented business culture."

BUSINESS IN A HONG KONG MINUTE

But the Hong Kong market is well worth targeting on its own, never mind the allure of the mainland. The first thing a visitor notices is Hong Kong's fast-paced business climate. Because Hong Kong is among the most competitive markets in the world, U.S. companies need to make decisions quickly and respond to buyer inquiries immediately. According to Olivia Cheng, president of California-based World Medical Trade Organization (WMTO), "Business moves quickly, and you have to be ready to act fast in Hong Kong." One of the best ways to sell products and services in Hong Kong

is through agents and distributors, which minimizes initial investment in the market. Hong Kong has an extensive network of agents and distributors who are eager to buy and sell competitively priced, quality U.S. products.

The Hong Kong government plans to spend \$30 billion over the next five years to significantly improve infrastructure, including schools, roads, communication facilities, and government buildings. This activity will open many opportunities for U.S. companies.

Beyond bricks and mortar, Hong Kong is the world's most service-oriented economy, including financial, legal, and advertising services. The services sector grew at an annual rate of 6 percent between 1991 and 2000. After rebounding from the Asian financial crisis in 2000, the Hong Kong economy slowed in 2001, as a result of the

global economic downturn. However, this should not deter U.S. exporters, who will be well poised in the market as the economy strengthens.

FINDING BUYERS WITHOUT THE BOTHER

Hong Kong is a key Asian technology hub. Leading sectors include telecommunications and information technology products and services, electronics, medical equipment, and security products. The medical equipment industry provides multiple opportunities for U.S. companies. World Medical Trade Organization (WMTO), a U.S. company specializing in opening Asian markets for medical-related products, has used the U.S. Commercial Service in Hong Kong to locate distributors.

Based in Newport Beach, California, WMTO markets and distributes U.S. medical equipment throughout Asia. When WMTO decided to enter the Hong Kong market with PapSure, an early detection device for cervical cancer, it relied on the expertise of the U.S. Commercial Service, a division of the Commerce Department that helps small and medium-sized U.S. companies find new markets around the world. WMTO chose a distributor using a service called Gold Key, which matches U.S. exporters with pre-qualified distributors and agents, as well as arranges videoconferences and face-to-face meetings.

As part of the Gold Key, the U.S. Commercial Service arranged for WMTO to meet with seven companies

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in just two days, providing complete background information on each company. This significantly cut the time and cost of finding a distributor in Hong Kong, according to WMTO's Cheng: "Choosing a good distributor is important to us, since we are giving exclusive rights to this company. The Commercial Service staff was very experienced and well connected in the Hong Kong community. They understood the product, provided our criteria to medical distributors strong in the OB-GYN field, and arranged meetings, which we appreciated the most."

For more information about business opportunities in Hong Kong, call the U.S. Commercial Service at (800) USA-TRADE (872-8723), or visit www.export.gov/cntryind.html for Hong Kong market research.

BEST PROSPECTS FOR NON-AGRICULTURAL EXPORTS TO HONG KONG

- Security and safety equipment
- Medical equipment
- Computers and peripherals
- Cosmetics and toiletries
- Air conditioning and parts
- Laboratory and scientific instruments
- Plastic materials and resins
- Building products
- Electronic parts and components
- Franchising

Source: *Country Commercial Guide: Hong Kong*, 2003.

BUSINESS HOLIDAYS, 2003

January 1

New Year's Day

February 1

Lunar New Year's Day

February 2

Second day of the Lunar New Year

February 3

Third day of the Lunar New Year

April 5

Ching Ming Festival

April 18

Good Friday

April 19

Day following Good Friday

April 21

Easter Monday

May 1

Labor Day

May 8

Buddha's Birthday

June 4

Tuen Ng Festival

July 1

Hong Kong Special Administrative Region Establishment Day

September 12

Day following Chinese Mid-Autumn Festival

October 1

National Day

October 4

Chung Yeung Festival

December 25

Christmas Day

December 26

First weekday after Christmas Day

Source: U.S. Consulate General, Hong Kong.



TIPS ON DOING BUSINESS IN HONG KONG

According to U.S. government statistics, Hong Kong was the United States' 15th-largest trading partner and 13th-largest export destination in 2001. U.S. exports to Hong Kong totaled \$14.1 billion in 2001, and bilateral trade totaled \$23.7 billion. U.S. exports to Hong Kong in the first quarter of 2002 were down 18.2 percent over the previous year due to sluggish domestic consumption and capital investment.

Reaching Customers in Hong Kong

For many American products and services, initial market penetration in Hong Kong does not require an investment of millions of dollars of company funds. Given that Hong Kong is a "free port" with virtually no duties or tariffs, and that it has a wide-ranging network of agents and distributors, a well-managed market penetration program with a moderate investment in market development is generally all that is required initially. Due to its open nature, however, Hong Kong is among the most competitive and price-sensitive markets in the world. Companies considering entering this market should be aware that the Hong Kong business climate is extremely fast-paced. Decisions are made quickly, and companies need to be able to respond to inquiries immediately or they risk losing the market to faster moving suppliers.

Numerous American products and services can be found in Hong Kong, and throughout China. Many excellent agents and distributors for China are located in Hong Kong, although given China's size and diversity, it is usually necessary to work with different agents for different regions of China. Hong Kong companies are eager to talk to potential exporters and have a strong interest in representing quality, competitively priced U.S. products from companies committed to the market. Commitment to the market is demonstrated in various ways but should include quoting in metric, providing Chinese language material, responding quickly to inquiries, meeting relevant standards, and visiting the market for first-hand understanding and relationship building.

Distribution and Sales Channels

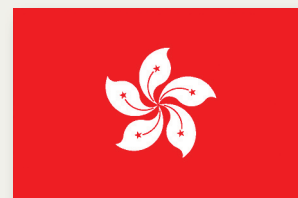
One of the best ways to sell products in Hong Kong is through the use of agents or distributors. It is also an excellent way of minimizing the initial investment in the market. There is a wide range of companies that can serve as agents or distributors for U.S. firms. Other options for pursuing Hong Kong's market are establishing an office or partnering. Companies looking to sell equipment needing long-term maintenance, technical support or installation, or that are seeking to become involved in infrastructure projects, frequently seek to partner with local companies.

Direct Marketing

Hong Kong has a well-developed network of retail outlets. Supermarkets, department stores, convenience stores, and modern shopping malls have become increasingly popular, because of their easy access, convenient location, and seven-day availability. Consumers prefer buying products from retail outlets to buying products on-line, as they consider retail shopping a leisure activity. Direct marketing accounts for less than 1 percent of total retail sales, though it has increased in popularity following the economic slowdown in 1998. Many who lost their jobs turned to direct marketing while others who suffered pay cuts joined direct marketing companies to augment their incomes. Sales of direct marketing companies surged between 5 percent and 10 percent over the past few years. Many local companies, particularly Chinese herbal health supplement distributors, have adopted direct marketing.

The lack of homegrown e-commerce sites in the Chinese language in Hong Kong has limited the growth of on-line shopping. Because there is a well-developed retail distribution system and an abundance of conveniently located outlets, consumers in Hong Kong have no incentive to shop on-line; there is no price advantage and they cannot inspect products.

The major selling factors are the same as in the United States: price, quality, timeliness in delivery, and service. Initial sales require more face-to-face contact, as Asians generally place a premium on developing personal connections.



Pricing Products

If possible, quote in metric, on a deliverable basis to Hong Kong (e.g., CFR or CIF rather than FOB). Hong Kong companies have many options, so American companies must make it as easy as possible for customers to buy their products.

Sales Service/Customer Support

Some sort of local presence, whether it is a branch office or an agent or distributor, is very important in getting established in the market. Business in Hong Kong (and elsewhere in Asia) requires relationships that can only be developed with some kind of local presence. Prompt after-sales service is also crucial to succeeding in this very competitive market.

Source: *Country Commercial Guide: Hong Kong, 2003.*

WEB RESOURCES



U.S. Consulate General, Hong Kong and Macau
www.hongkong.usconsulate.gov



Hong Kong—Doing Business

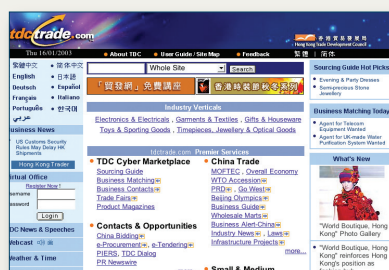
Everything you need to know about doing business in Hong Kong: business hours, business contacts, temporary offices, courier services, and more.

American Chamber of Commerce in Hong Kong

www.amcham.org.hk/home.html
 E-mail: amcham@amcham.org.hk

Hong Kong Trade Development Council

www.tdctrade.com
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Hong Kong Government Information

Information about Hong Kong, including government, services, and general “about Hong Kong” resources.
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